

OFFICIAL DISPATCH

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CLASSIFICATION

DATE: 13 December 1949

TO : Chief, Foreign Division "X"
FROM : Chief of Station, Karlsruhe C
SUBJECT: General - Operational
 Specific -
REF : Operational and Business Prospects
 HOF-A-3343

Synopsis: Actual and prospective intelligence and business connections are outlined in the future of the operation is discussed.

1. As a supplement to our 1.OF-A-3343, which will be most appropriate for the operation, we are here detailing the business and intelligence connections of Hermann K. Harmett. This is not a historical survey of the project to date; rather it is of its current status as a large enough job. We think that an outline of what he has not lined up may help in a careful consideration of the operation's possible value. At the outset, we must admit that we think the operation is well worth continuing.

2. Business Possibilities in General. Harmett's business has not yet concluded a deal. Some reasons for this current failure, which could in some cases apply to the chances of all lone entrepreneurs like Harmett in Germany are:

a. Lack of capital. Many successful foreign businesses in Germany have made money by importing raw materials for processing; in Germany, or by supplying food products to factory workers. This method requires a lot of capital, which Harmett does not have.

b. Non-exploitation of U.S. officials. Until recently, U.S. businessmen here who are former officials of documentation agencies, Harmett was not used his U.S. official contacts to gain favors. This policy has been followed to keep Harmett's reputation clean.

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to preserve good relations with U. S. officials for practical purposes.

e. Diversionsary effect of operations. It is obvious that Hammett has spent some time on intelligence work and has thereby spent less time on his business.

f. Avoiding of crooked deals. Except for one instance in which he agreed to deposit dollars abroad for an exporter (and the deal did not come off anyway) Hammett has avoided shady deals. Any successful businessman in Germany evade JSA regulations, live kick-backs, trade in forbidden coal, aid his friends in Iron Curtain countries, and promote smuggling. Operational and ethical considerations have forced this avenue to Hammett.

g. Channelling of business toward intelligence fields. They have encouraged Hammett to develop business contacts with people who are good intelligence contacts. He has done this very well, but the type of business opportunity it has brought him has not been of the "get rich quick" variety.

f. Reaction against middle-men. Most German import-export business has been run, deal by deal, by U.S. and British military Government or HICOG officials, who allow middle-men and try to steer deals away from their clutches. In addition, much business has been between foreign firms and the German government, with large sums of money involved. Pickings for outsiders have been slim until recently.

f. Lack of U.S.-German trade treaty. Lack of such an agreement and the surrender of trade controls to a joint Allied-German bureau has had a startling effect on the whole volume of German trade, foreign and domestic. Realization of this caused Allied authorities recently to turn trade control back to the German and to further insist on a laissez faire trend.

3. It is also true that Hammett has been in business less than a year, not a very long time to put a new concern on a "profit-making" basis.

4. Specific Business Potentialities. Hammett and his partner carry on, on two sides of the Atlantic, a constant investigation and evaluation of new business possibilities. They correspond with each other several times a week by air mail and make frequent trans-Atlantic calls. Their correspondence, which I read, shows that they have checked up, investigated, discussed, and handled hundreds of business opportunities, products, deals and investments. Reporting on all their activities would require a large staff.

5. Here, with a few words of description in each case, is a list of Hammett's business connections at present, with asterisks

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industrial contacts of intelligence interests as well:

a. Blaer Import-Export - the foreign trade branch of the Ortsbeirat, headed by Fischer (all Germans), this firm has offered to act as agency for its U.S. buying and selling. Loosening of trade regulations will get their activity started in the near future.

b. Finsler Aluminen, Idar-Oberstein. This firm is willing to make Hammett its U.S. agent.

c. Vernal Aluminum - Swiss firm which is "on the turn" to Hammett to license German firms on new metal polishing process.

d. Victor Carmel - this U.S. financier and aviation magnate is concluding a military adviser on German investment.

e. Fridolin-Winkler, Villingen. Berlin machinery firm which up to now Hammett their U.S. agency.

* f. ^{AGFA} Amritelett scrap deal. This opportunity, while it is still developing, involves the sale of 150,000 tons of scrap to Canadian firm.

* g. Sterntochein - Germany will buy large amounts of this drug; in 1940 and 1941 concrete will fall off on allotments and price of this drug, so Hammett can line up sellers in advance.

* h. Reitzenbach Textiles. This firm, which has great influence with the German government, is making Hammett its go-between on a certain raw material and requires him a similar role on importation of textile chemicals into Germany.

The above contacts are those which Hammett thinks are most likely to pay off. In addition he has the following contacts in varying stages of development:

i. Krämer Werke, Cologne. Steel firm.

j. Otto Wolf, Cologne, steel firm.

k. Glöckau steel firm, Düsseldorf.

* l. Reichenberg, agricultural machinery, Cologne. Reichenberg, an old friend of Hammett, is also a leading PDP politician.

m. Siemens & Halske, Berlin, interested in selling metal polishing patents through Hammett.

- a. Jeckel precision machines, Munich.
- b. Fechverarbeitung Aluminum Industrie, interested in buying metal which patents through Hennett.
- c. Rotholz, Erdberg, coffee importers who have given Hennett a large order.
- d. Max Fink, Saller & Co., Bayrische Vereins Bank. Three Munich banking firms with which Hennett has had connections.
- e. Löwen Brauerei, Munich. One of Germany's largest breweries. Interested in metal beer barrels.
- f. Bayrische Motoren Werke, Munich. Large firm whose director Hennett has known for twenty years.
- g. Pferdmenges cotton firm - a German firm, run by another branch of the Pferdmenges family. Interested in importing cotton.
- h. Salomonier shoe firm, one of Germany's largest, interested in importing leather through Hennett.
- i. Fritz Heirel film enterprise, well-known German producer who ~~wants~~ Hennett's help in organizing a firm to dub in German sound tracks on U.S. films.
- j. Süddeutsche Getränke und Mineralwasser Verkauf - German firms which sent Hennett to buy cola syrup for them in the U.S. for the coming summer season.
- k. Tabaco-purchasing agency of Bavarian烟草 association, which gave Hennett large order, blocked by currency restrictions.
- l. Koen firm - Munich, run by Hennett's friend, wants to market a lemon slicer in the U.S.
- m. Hennett and his partner are negotiating with all these firms except the Munich banks on behalf of various tykes. Some of them are quite promising though we are not business partners and cannot guarantee his success, his prospects look good to us.
- n. Intelligence Contracts. In the ten months he was out in Germany, Hennett has been able to establish friendly relations and connections with many prominent Germans, including some influential in the government. Most of his possible intelligence contracts are in the political-economic field, where there is great need for intelligence reporting. As mentioned in other memo, we hope to have Hennett settle down in Frankfurt or Cologne, develop these

contacts, and write weekly economic and political reports for us, supplementing them by special reports on particular items he picks up. Beyond that, there will be the possibility of his recruiting and running sub-agents, a field of activity where he has broad experience.

a. In listing Bennett's intelligence contacts, we are including all those of an unicorporate nature, such as Johannes Weller of Bavaria, whom we have asked Bennett to avoid because of his previous associations. The road contacts are not yet fully developed, but all will be further pursued.

a. Dr. Hans-Joachim Spindler - Cologne banker, generally called the financial power within the CDU.

b. Dr. Ludwig Erhard, German Minister of Economics.

c. Dr. Horst Kildert, House Finance Minister (CDU) and chairman of Finance Committee.

d. Dr. Werner von Leebenber, FDP Bundestag member and influential politician; is Vice-chairman of the FDP in North Rhine-Westphalia.)

With the above individuals, Bennett is accepted as an influential U.S. businessman and is, as far as we can tell, trusted. These four contacts, if properly exploited, can become very valuable.

Other contacts include:

e. Prengl and Klinz, Ministry of Economics officials whom Erhard has told to throw business to Bennett.

f. Victor Stalff, State Secretary of Bavarian Ministry of Culture.

g. Duermeyer, administrative director of the influential Süddeutsche Zeitung, Munich.

h. Dr. Walter Marx, German official of JEZA, with very good connections in German Government circles.

i. J. G. H. Hertalett, German businessman, with government connections.

In addition to those listed, Bennett would find it easy to meet the following figures, either through his sister in Cologne or through other listed contacts:

j. Dr. Conrad Adenauer, German Chancellor.

k. Dr. Fritz Schäffer, Finance Minister.

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1. Dr. Thoma Decker, Minister of Justice.
 2. Dr. Hans Ehard, Minister President of Bavaria.
 3. Dr. Schalfejew, prospective State Secretary in Ministry of Economics.
 4. Mr. Graf, Schalfejew's rival in the Ministry.
 5. Max Brauer, SPD Mayor of Herzberg, whom Harrold knew in France after 1933.
 6. Peter Altmayer, Minister President of Rhineland-Palatinate.
 7. Cardinal Prince of Cologne.
 8. Bishop Haenouller of Munich.

Harrold could also take up contact with such people as known to us of the Junta Union, but we have steered him away from such controversial characters. The names listed above are not reliable at this time, but are set down after consideration of Harrold's role, his connections, and his career. While we cannot, of course, predict just what intelligence would come out of developing each and every contact, we can point to Harrold's revealed ability, background, and past production. Our first two years reports outline the exfiltration of the contacts he has had time for to visit.

9. It is clear that Harrold is not out to recruit any of the above well-known figures. But access to their company will lead him to work and sensitive posts in their office and firm and may cause him to pick up and report while surveying the field will be useful intelligence. We are advised that to date we have told him that his cover has been in his favor, with the result that our intelligence production has been limited.

10. Harrold's Ability. Though these observations are probably not necessary, we want to affirm the general impression that Harrold, in his business and intelligence work, is a hard driving, intense, conscientious, and able operator. His broad knowledge of politics and economics is well known to you, and his social abilities need no comment. We have found him honest to a fault in financial accounting.

11. Conclusion. On the basis of Harrold's business and intelligence activities to date and our judgment of his future, we feel justified in giving an unqualified recommendation that the [] project continue.

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